CHAPTER-I

INTRODUCTION

1.1 Prologue

Corporate advertising has become the most effective tool of modern businesses. The growth of economy and communication science and technology has boosted the status of corporate advertising all over the globe. Modern corporate houses have established corporate communication departments which usually manage the corporate advertising activities. In this age of competitive business, customers have become a force to reckon with. The corporate houses have to take note of the changing attitudes of the customers and provide the goods and services which satisfy them. The corporate advertising services are delivered in modern corporate houses with a view to take the goods and services to the door steps of the customers and engineer their consent for the consumption of goods and services. Scientific evaluation of the status, problems and prospects of corporate advertising assumes profound professional significance in the present times in a developing state like Karnataka. The salient features of the present investigation namely – role of advertising in modern society, corporate advertising in the age of globalization, role of advertising in corporate reputation management, advertising trends of the Indian corporate sector, significance of the study, statement of the problem and objectives of the study are presented in this chapter.

1.2. Advertising in Modern Society

The word ‘advertising’ is derived from its Latin root ad verter, which means ‘to turn towards’ or ‘to attract attention’. Advertising basically comprises all acts that are directed towards drawing the attention of people about the availability of goods and services. Advertising is commonly defined as any form of non personal presentation and promotion of ideas, goods and services usually paid for by an identified sponsor or advertiser. Advertising is also directed at a specific group of consumers of goods and services. Advertising is a paid form of communication. The advertiser is also duly identified by the media of advertising for obvious reasons. Advertising has become a necessary evil in the modern society. Advertising has promotional, educative, economic and social dimensions.

Advertising is usually delivered through a communication medium designed to reach more than one person but to the masses. Scholars have defined
advertising as the process by which a product or service is introduced with the purpose of persuading the people of a locality to utilize that product or service. Others have also defined advertising as the process of introducing to the public an idea, product or Service through a paid announcement from a non individual and identifiable source to encourage the public to make use of what is introduced.

Root (1994:311) defines advertising as any paid form of non personal communication by an identified sponsor to promote a product or company. Advertising has been the dominant instrument of mass promotion of goods and services through planned advertising services.

Advertising has been defined as the dissemination of information concerning an idea, service or product to compel action in accordance with the intent of the advertiser. The American Marketing Association defined advertising as ‘any paid form of non-personal presentation of idea, goods or service by an identified sponsor.

This definition provides about 5 important elements of advertising which include – a) Advertising is a paid form of communication, b) Advertising is non-personal communication directed at specific target group, c) Advertising precisely promotes favorable ideas regarding the goods and services, d) Advertising is directed at the target group in order to create interest in them about the goods and services; and e) Advertising is issued by an identified sponsor who is interested in generating income through the sale of goods and services.

Shah and D’Souza (2009:326) identify the objectives of advertising which include – information, persuasion, reminder and reinforcement. The advertising messages generally inform the consumers about the salient features including the availability of goods and services. In the age of competitive business, advertising messages also persuade the customers to consume the goods and services by way of establishing superiority over other goods and services. The advertising messages remained the customers about the ways and means of fulfilling their requirements after purchasing the goods and services. The advertising services also seek to convince current customers that they have made the right choice by reinforcing key benefits and depicting satisfied customers of the brand. Advertising services are made available all over the world since they bestow a sort of authenticity to the goods and services.

Murthy and Bojanna (2010:263) define: “Advertising is a major way of establishing communication between the manufacturer and the consumer. Advertising acts as a reminder to the existing consumers and attracts new customers as well”.

2
Advertising is beneficial to both the parties namely – advertisers and customers. The advertisers are able to establish direct rapport with the customers and build suitable brand image which enhances the salability of the goods and services. The customers are also given the benefit of education regarding the salient features of the goods and services including the price and availability of the goods and services. Advertising also facilitates economic growth by developing new market segments in the society.

Shah and D’Souza (2009:326) observe: “Advertising serves the primary purpose of generating awareness about the goods and services among the target group. Advertising and promotion form the crucial communication system for businesses and consumers. By communicating product information to the target audience, the advertising plays a key role in the marketing programmes of the advertisers. The consumers are also enabled by the advertising services to find out the goods and services of their choice. The increasing growth in advertising and media expenditure provides evidence of their rising significance in the modern society”.

Advertising provides socially and economically beneficial services to the mankind. Modern business organizations gain immensely through advertising services. The consumers also get necessary information about the availability of goods and services which suit their convenience. Today, the goal of business promotion cannot be actualized in the absence of planned advertising services. Advertising services also dramatize the goods and services and trigger the sales of goods and services in a competitive environment.

The most common types of advertising are classified by the scholars on the basis of the nature or purpose of the advertisement. Prominent among them include - brand – building advertising, tactical advertising, national advertising, retail advertising, public service advertising, corporate advertising, primary – demand advertising and business to business advertising.

The brand-building advertising usually focuses on creating product awareness and building brand image. The tactical advertising is usually aimed at marketing problem which can be solved through effective communication. The retail advertising is released by the retailers who sell the goods and services at grassroots level. The public service advertising is issued for non-profit reasons by the welfare organizations for the purpose of creating public awareness. The corporate advertising is meant for brand building which is issued by the corporate houses with a focus on production, price, utility and so on. The primary – demand advertising usually intends to build favorable
demand for the goods and services. The selective – demand advertising aims at building demand for specific brand. The business to business advertising is directed at institutional customers rather than individual customers. The trade advertising is targeted to channel members like dealers, distributors and retailers. No organization can reach out to the customers and general publics in the absence of systematic advertising in the present times.

In this age of buyer-oriented economy, advertising has become an important means of promotion of goods and services. The customers are spread across the length and breadth of the world in the age of globalization of economy. Advertising campaigns are required to reach out to the various consumers since it primarily serves a marketing function by helping modern organizations which provide goods and services to the mankind advertising is always directed at a target audience which is a specific segment of the population for whom the goods and services have a definite appeal. A new branch of consumer advertising has emerged which is targeted at the people who buy goods and services for personal use. Hence, the advertisers are required to select and use media which are accessible, credible, persuasive and useful from the point of view of persuasive communication. The three main components of the advertising industry include: the advertisers, advertising agency and the media.

Advertising media consists of any means by which sales can be conveyed to potential buyers. The choice of media is immense in the developed countries but somewhat limited in the developing countries. As an advertising medium, anything can and has been used like tickets, matchbox, street utter bins, taxicabs, parking meters, shopping advertising media should have the sense of selection. Those who exploit anything to do with advertising media should have the sense of selection. Often it is seen that more money is spent to get less benefit, so skillful advertiser should always choose the right medium. That is why media buying is a skilled business the objective being to get the most effective advertising at the lowest cost.

In reality, the communications media serve as the bridge between the sellers and buyers of goods and services. The advertisers are required to utilize the services of skilled, specialized and competent media planners who can help them to place and schedule their advertisements. The advertisers are required to understand the reach, frequency, selectivity, efficiency and credibility of the traditional and modern media of
advertising. The advertising agencies also help the advertisers to select the available best media of advertising. Broadly speaking, the media of advertising can be chosen on the basis of first hand information, personal observation, authentic data and experts’ suggestions under the normal circumstances. The media of advertising include – print media, electronic media, outdoor media and new media.

The print media are the oldest means of mass media which primarily include newspapers and magazines. The print media provide detailed advertising services to the consumers. The news papers have a wider reach and they can go to any geographic location and attract the attention of the consumers. The magazines are known for limited reach when compared to newspapers. But, the magazines offer a tremendous degree of selectivity for advertisers. The electronic media of communication namely radio and television provide competitive advertising services across the globe. In the present times, television has become the most prominent medium of advertising as compared to the radio.

The outdoor advertising services reach out to the people at the grassroots level through attractive and creative advertising services. The outdoor media are the oldest established form of advertising which include – posters, banners, transit media, (combination of transit and billboard), displays in bus station, railway station and airport, kiosks and showcases, interior displays, mobile displays, hoarding, attention grabbers, wall writings. These outdoor media reach out to the people in rural and urban areas since they are economically viable and culturally friendly means of advertising.

The Internet has become the ultimate direct marketing medium and fastest growing advertising medium in the world. Besides Internet, there are other interactive new media of advertising which facilitate active participation from interactivity point of view with the users. Prominent among them include – mobile telephony, computer games, kiosk-based terminals, interactive television, electronic storage media and so on. In this age of integrated marketing communication, traditional and modern media of advertising are widely utilized by the community of advertisers.

The process of industrial revolution paved the way for institutionalization of business all over the world. In the beginning, few manufacturing agencies provided limited goods and services. There was a kind of seller-oriented economy which did not demand any kind of persuasive communication in the name of advertising. Subsequently business establishments were established everywhere in order to reach out to various publics including the customers who became the controllers of
economy. In the beginning there were outdoor advertising and print advertisements which were known for limited coverage and impact. As the economy expanded during the 19th century, business promotion activities including advertising management grew alongside. Advertising also became a specialized branch of business management. Advertising executives were trained in the schools of business management and mass communication and journalism in India and elsewhere.

The growth of electronic media including television paved the way for electronic advertising. The introduction of cable television and particularly MTV ushered in a new era of advertising. Marketing through the Internet and other new media opened new frontiers for advertisers and contributed to the ‘dotcom boom’ of the 1990s. Commercial advertising and public service advertising were developed in order to promote commercial goods and services and motivate the people about non-commercial issues such as human rights, environmental protection, gender justice, social justice, political ideology, progressive movements and so on.

Advertising has been considered as an instrument of economic growth since it facilitates better marketing, consumption and profit oriented opportunities. Advertising has become increasingly prevalent in modern society. It occupies public space considerably, observes George Franck (1998:113). The communications media have also earned sizable chunk of their revenue through advertisements. The critics of advertising have called it as a necessary evil since it is a new kind of dictatorship which cannot be avoided states Hanno Rauterberg (2008:301).

Advertising has become one of the major pillars of capitalist economy. McChesney (2008:239) has noted that advertising is part of the bone marrow of corporate capitalism which cannot function and established global production and distribution networks in its absence. Manfred Knoche (2005:188) has even gone one step ahead by calling advertising not only a necessary evil but necessary elixir of life for the media business, the economy and capitalism of the whole. Advertising has also become the producer’s weapon in the competition for customer relationship management and trade advertising.

Kalle Lasn (1999:203) has termed advertising as the most prevalent and toxic of the mental pollutants. Advertising services manufacture new desires and dreams in the minds of the people including women, youth and children according to empirical evidences. The commercial advertisements broadcast in radio and television are also known for greatest access and popularity regardless of time and space. The young
generation is also addicted to advertisements which create a dream world based on glorification and reinforcement of certain values and beliefs. Lasch (2001:202) argues that advertising leads to an overall increase in the consumption in modern society. Advertising not only popularizes the goods and services but promotes consumption as a way of life in reality.

The courts have also seriously taken note of the ill effects of advertising on mankind as a matter of judicial activism. Several legal restrictions are placed upon the advertising campaigns in Asia, Latin America, Middle East, Europe, America and elsewhere. Several activists have called upon the governments to ensure constant vigilance over the advertisements which mar the health and progress of the mankind as a matter of social responsibility. George Frank (1998:113) has criticized the role of advertising which is part of ‘mental capitalism’.

Advertising has become a billion-dollar business in the world. The industry is accused of being one of the engines powering a convoluted economic mass production system which promotes consumption, observes Sut Jhully (2009:168). The critic has cautioned that contemporary advertising would destroyed the world culturally and otherwise if necessary checks and balances are not ensured by the right thinking in the visuals and organizations. Scholars have also examined the relationship between the price of attention and hidden costs in relation to modern advertising campaigns launched by the capitalist forces.

Advertising has become an important instrument of manufacturing the consent of the people more or less making use of associations, emotions and drives dormant in the sub-conscience of people. McChesney (2008:239) states: “All human needs, relationships and fears – the deepest recesse of the human psyche – become mere means for the expansion of the commodity universe under the force of modern marketing. With the rise to prominence of modern marketing, commercialism – the translation of human relations into commodity relations – although a phenomenon intrinsic to capitalism, has expanded exponentially.

Lasch (1995:202) argues that advertising takes on the role of a life counselor in matters of attraction since it manufactures a culture of Narcissism. Advertising is practiced by the capitalist on the basis of certain psychological theories about how to create subjects, enabling advertising and marketing to take on a more clearly psychological tinge according to Miller and Rose (2009:250). The advertisers have realized that the same things can be endowed with different intended meanings for
different individuals and groups of people, thereby offering mass produced visions of individualism. Advertising research has focused the attention of the world on the other side of advertising even though the efficiency of the advertising has improved over a period of time. The advertising and marketing firms are heavily criticized by the researchers and critics for the advertising onslaught against the mankind. This development has been termed as an ongoing threat to democratic culture by Giroux (2009:118).

In the present times, the media have become a branch of the contemporary advertising industry since they are primarily dependent on the advertisers. This dependency has distinct implications for the nature of media content, according to McChesney (2008:239). The media professionals too have accepted the economics of advertising and produce media contents which suit advertisers and capitalists. The media institutions are forced to remain at the receiving end and create conducive advertising environment in order to secure constant advertising revenue by sacrificing their corporate social responsibility. The borders between advertising and media have become more blurred. The commercial basis of media and advertising has caused a death blow to the human values and democratic institutions.

James Rorty (1976:312) comments: “The gargoyle’s mouth is a loudspeaker, powered by the vested interest of a two-billion dollar industry, and backs of that the vested interests of business as a whole, of industry, of finance. It is never silent, it drowns out all other voices and it suffers no rebuke, for it is not the voice of America. The contents of modern advertising truly represent the voice of their master rather than the people including the consumers who have become silent victims of advertising which is the component of capitalism. The advertising is shaping the values of modern society wherein the stimuli of art, science and religion are progressively expelled to the periphery of American life”.

Advertising has also brought about a new era of commercialization of culture since it is integrated into modern life style and fashion. The sports sector is also grossly affected by the advertising industry which has brought about new environment which is devoid of healthy sports culture. In sports the media are able to generate enormous sales in both circulation and advertising, rights McChesney (2008:239). Sports sponsorship is undertaken by the leading industrial houses which have polluted the environment and destroyed the sportsmanship across the globe. Advertising has become an all pervasive activity which has brought about
commercialization of culture, public space and other vital sectors of development. Sut Jhully (2006:168) have rightly considered advertising as kind of religion which has replaced the human values and aspirations.

Corporate advertising has reduced the young generation to consumers. Critics have noted that corporate advertising has hijacked the human values, progressive movements and democratic culture all over the world. It is also accused of reinforcing stereo types and deliberately promoting sexism, racism, ageism and other factors which have impeded the progress of mankind. The regulations which have prohibited negative advertisements have been neglected by the advertising industry. The campaigns against malicious and negative advertisements have been neglected by the state which is controlled by the money power, muscle power, media power and so on. Progressive mass movements have critically opposed the prevailing sorry state of affairs which have cropped up because of the negative influence of advertising. New regulations are not strictly implemented by the government bodies and law enforcement agencies in the absence of powerful public activism.

Corporate Advertising in the Age of Globalization

The concept of corporate advertising is somewhat different from that of product advertising. There are several additional factors that should be taken into consideration while understanding the true nature of corporate advertising in modern society. It is a specialized advertising service which primarily lays emphasis on corporate identity which has a bearing on the salability of the goods and services manufactured by modern corporate houses. Basically, corporate advertising comprises of not merely the end users but the internal employees as well as the business associates. Modern corporate houses are required to choose the best promotional tools, technologies and techniques which come under the purview of corporate advertising. Usually, the corporate communication department of an organization handles the corporate advertising activities which are meant for promoting the image of the organization.

The corporate advertising is done over the mass media to promote the company’s image according to Shah and D'Souza (2009:326). The corporate advertising managers are primarily responsible for the enhancement of brand knowledge and maximization of the brand performance within a marketing environment which is practically beyond their control. The corporate advertising is a substantial business activity, with expenditures now exceeding $9 billion according to
Belch and Belch (1996:33). In reality, corporate advertising is a challenging task which is responsible for influencing the behaviors of the consumers in favor of the corporate house, goods and services especially in a competitive business environment. Scholars like Cowles, Garbett and Rothschild have examined the role of corporate advertising in the enhancement of corporate image. Other studies have also primarily dealt with the investment made by the corporate houses on corporate advertising management. Prominent among them include – Haley, Javalgi et al., Schumann, Hathcote and West. Corporate advertising is also primarily responsible for the creation of constructive, positive and meaningful brands according to Javagli et al., Winkleman and Winters.

Corporate advertising is consciously undertaken by the corporate houses in order to promote favorable consumers' brand knowledge according to Keller, Loken and Roedder John, MacInnis, Moorman, and Jaworski and Rao and Sieben. These studies have revealed that consumer’s beliefs about and attitudes toward brand ads can directly influence their brand knowledge. Homer, MacKenzie, Lutz, and Belch have explored the role of corporate advertising which is designed to market a specific brand in order to affect consumers' brand knowledge.

In reality, corporate advertising is managed with a view to control the messages, execution, and placement of brand advertising. However, they cannot control its effects, which depend on factors such as clutter, consumers' involvement level, and competitive actions under the normal circumstances. Despite certain limitations, brand managers can use certain tactics that may encourage consumers to use their corporate advertising knowledge when processing brand information. Practically, the brand managers may influence consumers' use of it in a brand information processing context according to the empirical evidence.

The corporate advertising managers are also required to treat the corporate advertising environment as an exogenous factor on the basis of certain models which are related to conceptualization and practical implementation of corporate advertising. These models also enable the advertising managers to integrate relevant research concepts taken from the marketing, psychology, and consumer behavior literatures and derive several testable propositions which practically benefit the corporate houses. Experts have suggested certain norms and guidelines which enhance the success of corporate advertising. They have suggested that advertising elements need not be incorporated in the campaigns and product packaging. Experience reveals that
advertising elements must stand alone and may not be combined with any other object such as logos, words, graphics, photos, slogans, numbers, design features, or symbols.

1.3. Role of Advertising in Corporate Reputation Management

Advertising has become a new way of life especially in the age of economic liberalization. Modern corporations have to reach out to the people through various advertising campaigns in order to enhance the salability of the goods and services manufactured by them. Advertising has also become a prominent instrument of corporate reputation management over a period of time. Commercial advertisers primarily seek to generate increased consumption of their goods and services through systematic branding which involves the repetition of an image or product name in an effort to associate related qualities with the brand in the minds of consumers.

Traditional and modern communications media are used to deliver the messages in order to invite the attention of the consumers and persuade them to accept the goods and services manufactured by various public and private corporations. The money spent on corporate advertising has increased considerably over a period of time.

Advanced Corporate Concepts was founded in 1993 by Nigel Brownbill. The company soon developed a reputation as a management consultancy that could deliver sustainable solutions for their clients. Nigel has a proven track record in sustainable corporate development through strategy, transformation, management development and executive coaching. Corporate advertising is the paid use of media that attempts to benefit the reputation of the corporation as a whole rather than promote its specific products or services.

Good corporate advertising acts as an umbrella covering all the products and services associated with a company. Any corporate advertising campaign should be both strategic, looking toward the future of the company and aligned with its mission, and consistent, aligning with the products and services that the company sells. An effective corporate advertising campaign also needs to be part of an overall communication strategy designed to establish and build corporate reputation, presenting the company’s identity in a way that reinforces other company-initiated messages.

Corporate reputation building is indeed a challenging task. According to Haapaniemi and Schwartz, it takes a long time to build a reputation, but it can be destroyed overnight in a single event. Devine states that reputation acts as a gauge,
defining and giving an organisation its sense of identity. Hanson and Stuart and Barney concur that corporate reputations once created are relatively steadfast. Of all bases of differentiation, none is more difficult to duplicate than an organisation’s reputation.

Scholars have identified four business parameters that influence corporate reputation namely - general business management, financial management, corporate marketing and corporate communication. These parameters are widely discussed since they primarily include leadership and management qualities, organisational ethics, shareholder value, organisational sustainability, corporate branding, the marketing mix, public relations and relationships with stakeholders. This is in line with Schreiber who considers that these variables are similar to those used in the yearly Fortune magazine rankings of ‘America’s Most Admired Corporations’.

Corporate reputation is created by a combination of elements within the organisation such as general business management, financial management, corporate marketing and corporate communication, as defined by Ettorre and Dollinger. The general business management has a major impact on corporate reputation, namely leadership and management quality as well as organisational ethics. It is, however, critical to understand that these elements can only be successful in building corporate reputation if they are supported and related to the other general business management issues concerning the reputation of corporate houses. Klein and Grupp and Gaines-Ross have noted that the reputation of the leader of the organisation is integral to the organisation’s reputation and overall success. Studies have also revealed that the leader’s reputation needs to be invested in, managed and leveraged over the long-term to reap enduring benefits, which include attracting more investors, partners, clients, work applicants and trust in corporate decisions. Key elements of the leader’s reputation are credibility, integrity and high-quality communications to internal stakeholders about the direction of the organisation.

Klein reports that financial executives believe that a CEO’s reputation would influence them to buy shares in the organization. Nakra maintains that successful global leaders earn a reputation for credibility among investors by showing profitability to individual and institutional shareholders, maintaining a stable return on investment and nurturing financial growth prospects. Ettorre suggests that intelligent organisations make perception management part of their senior executive training
regime, enabling a greater understanding of corporate branding and resultant corporate reputation. Schreiber argues that executives often misunderstand how reputations are achieved and maintained. As a result, they rely too heavily on corporate advertising, while at the same time not doing enough about reputation-building activities with stakeholders.

Donlon asserts that to gain a good corporate reputation, one must not only have integrity at the top, but also be ruthlessly intolerant of those who undermine the integrity and values of the organisation. In a cynical age CEOs should do more than merely ‘walk-the-talk’ and insist on ethical behavior. Communicating the organisation’s message to the public and most importantly, repeating the message to employees, is seen as critical. In reality, the price of a good corporate reputation is eternal vigilance. Pinkham adds that commitment to ethical practices would enable the corporations attract and retain star employees, reduce hostility toward the organisation and help employees make critical business decisions.

Schwartz advocates that a corporate house should also build a reservoir of credibility and integrity in order to sustain corporate reputation in the midst of challenges and opportunities. Anon emphasizes that codes of ethics do not merely help employees to do what is right; research has shown that organisations with an ethical decision-maker are more effective and more productive under normal circumstances. Richardson and Bolesh have noted that reputed corporate organisations protect their corporate images by maintaining high standards of practice regardless of other factors. The most admired organisations use a combination of transparency, strong ethics and commitment to quality products and services to build and maintain their reputations.

Schreiber observes that corporate reputations are built, maintained and enhanced by several elements, such as being part of the corporate strategy, not merely a public relations or advertising slogan. Corporate houses often fail to achieve their desired reputations because of two primary factors, firstly the failure to identify a clear core competency, relying instead on claims of superiority that have little value to the intended audience and secondly continuing to do the same things that made the organisation successful, despite the fact that these things are no longer relevant to the current situation.

Hall and Barban (1987:139) have pointed out that corporate houses are required to sustain the institutional reputation since it is the foundation upon which
the prosperity of corporate houses is cherished. He has also noted that delivery of people-friendly goods and services and sustenance of public good would constantly safeguard the reputation of corporate houses. O’Connor and Wilson concur that a key reason to set metrics for reputation management is to meet today’s demand for transparency and governance structures. In this context, reputation, of which the public relations practitioner is custodian, is now an organisation’s most valuable and fragile asset.

The corporate houses are also required to identify and incorporate certain healthy elements of financial managements since it is vital for the progress of organizations. Klein asserts that the motivation to rush to reputation management and measurement is evidence that a good reputation can dramatically affect an organisation’s results. Psychologically, an organisation with a solid reputation earns the benefit of the doubt in times of crisis. Good public relations professionals know that a lot is at stake in their work of protecting and enhancing corporate reputation, especially in terms of building and maintaining relationships with stakeholders. Financial management elements are acknowledged to form a major portion of the aspects that influence investment decisions and corporate reputation. Gary and Smeltzer and McNaughton have stated that a favourable reputation is regarded as a prerequisite to success in the global financial marketplace. Shareholders can ultimately give or withhold their approval of management through their votes based on their perception of an organisation’s corporate reputation.

The shareholder value has commendable influence on corporate reputation. Sobol, Farrelly and Taper observe that corporate reputation is a very important asset for an organisation in the present age of competitive business management. According to Paster Donlon, people sometimes confuse financial performance and reputation. Financial performance is very important, but so are values and the manner in which stakeholders are dealt with and communicated to. Corporate image is particularly valuable in terms of an organisation’s ability to raise debt and equity capital. Cooper has rightly pointed out that an organisation’s share price could be ascribed to corporate reputation maintained by the corporate houses. Antunovich et al. concur that the relationship between corporate reputation and share returns suggests that reputation plays an important long-term role in shaping investment results.

Studies have also primarily dealt with the fundamental relationship between organisational sustainability and corporate reputation. Van der Walt et al. have
highlighted the fact that modern corporate houses must have competitive advantages over competitors. In today’s interlinked world as described by Mastal, corporate reputation, which is the cumulative perceptions of an organisation by its key stakeholders, is increasingly recognised for its bottom-line impact. In reality, empirical studies have revealed that corporate houses with good reputations achieve higher-than-average profitability compared with their peer groups. Grupp and Gaines-Ross have also pointed out that corporate reputation matters most in the present competitive business environment not only from income generating point of view but also from the sustainable development of corporate houses point of view. Experience has also revealed that corporate reputation becomes increasingly dependent on an organisation’s ability to execute an organisational model. Execution results in a good reputation and correlates highly with strong financial performance and overall success. Therefore a favourable organisation reputation delivers financial payoffs.

The corporate reputation building has tremendous economic value according to Kowalczyk and Pawlish. They have observed that the rivals of the corporate house simply cannot replicate the unique features and intricate processes that produced those reputations. Reputations are therefore a source of competitive advantage. Sustaining that relative advantage requires commitment to the ongoing management of an organisation’s reputation. Davis (2002:85) note that many existing approaches to the measurement of corporate reputation have been criticised as being overly focused on the financial performance of organisations and on the views of external stakeholders.

There are certain marketing elements which influence corporate reputation according to Bennett and Gabriel and De Chernatony. They have pointed out that reputation is an overall cognitive impression of an organisation based on its corporate branding and various marketing communication tools. A favourable reputation creates expectations of the organisation in terms of promises that are made to stakeholders and confers a competitive advantage in that it can help the organisation to survive occasional adverse publicity. Mitchell and Urde have commented that the corporate brand must be viewed as both an organising proposition that helps to shape an organisation’s values and culture. As a strategic tool of management it can guide the organisational processes that generate and support value creation which abundantly contributes to corporate reputation. Harris and De Chernatony suggest that corporate branding requires a holistic approach to brand
management, in which all members of an organisation behave in accordance with the desired brand image collectively.

Richardson and Bolesh have noted that reputable organisations protect their corporate images by maintaining high standards of practice no matter what the circumstances. The most admired organisations use commitment to quality products and services to build and maintain their reputations. Van der Walt et al. have noted that the price is the only element which produces income to the corporate house since it has the most immediate and direct impact on an organisation’s profitability, which has an influence on corporate reputation. Alsop has rightly argued that product quality, innovation and good value are crucial factors which are associated with the corporate reputation of public and private undertakings.

Marketing communication has become an important tool of projecting the positive and beneficial effects of the goods and services offered by the corporate houses. Van der Walt et al. and Dowling in Christensen and Askegaard have interpreted the marketing communications as an attempt made by the corporate houses to project their ‘ideal self-image’ to both internal and external stakeholders, which will have an impact on corporate reputation. Nakra notes that corporate reputation emanates from all the business activities and communications it undertakes intentionally and unintentionally in the marketplace, such as advertising, promotion, direct marketing, personal selling, trade relations, public relations and community relations. Different stakeholders view a corporation differently because they focus on and look at different parts of the organisation.

Saxton argues that all stakeholders of corporate houses are usually affected by the brand image and ultimately the corporate reputation created through advertising and other marketing communications activities. Miller suggests that one way to help reputation is to deal effectively with the media in regard to corporate advertising management. The organisation needs to respond while the news is breaking and not after there has been time to decide what is to be said. Mastal notes that an organisation’s message strategy should reflect its corporate position as well as the position it is taking on the issues. Organisations that have strong reputations generally have three or four key messages they recite over and over in all media and to all key stakeholders.

Corporate advertising has considerable impact on the corporate reputation of modern organizations regardless of space and time. Grupp and Gaines-Ross
emphasise that corporate communicators should handle the advertising operations which would contribute decisively towards enhancing corporate reputation and driving market value for the goods and services. The corporate leaders and communicators are also required to monitor and evaluate the impact of corporate advertising and find out how communication of corporate and product messages are linked to a change in perceptions and behaviour among their key stakeholders, as well as to financial and shareholder returns. By identifying corporate advertising objectives, tools, techniques and operations should be evaluated through proper qualitative and quantitative research methods. Zyglidopoulos and Phillips suggest that every corporate house must be aware of the different concerns of various stakeholders when choosing a reputation-building strategy vis-à-vis corporate advertising.

Klein, Harris and De Chernatony and Einwiller and Will all agree that a good gauge of an organisation’s reputation considers the views of all its different stakeholders. A good measurement of corporate reputation includes more than investors’ views. De Seguna, Einwiller and Will have commonly stated that in order to implement a system of reputation management it is necessary to ensure that all stakeholders have a realistic image of what they can and cannot expect from an organisation. Creating a coherent perception of an organisation in the minds of its various stakeholders is a major challenge faced by many corporate houses which function under testing and trying times. It is necessary to ensure that the organisation delivers what it promises and only promises to deliver what it can realistically undertake.

The employees of the corporate houses are also required to play the role of cultural ambassadors, image builders, event managers and crisis managers in the present times. They are also responsible for the cultivation of mutually beneficial relationship between the corporate house and various stakeholders including the customers. Gotsi and Wilson observe that employees and their behaviour represent the reality of the organisation to the clients. The scholars have also suggested that employees of every corporate house should live up to the expectations of the people who matter most in this age of competitiveness. Mastal notes that successful organisations with strong reputations use employees as a means of humanising the organisation and fostering public trust. Klein also endorses the same view since it is especially important that employees’ beliefs and attitudes are quantified. An organisation’s reputation starts within the organisation. Ettorre has observed that the intervention of employees in
the process of corporate reputation management makes all the difference since they are the true representatives of the community which sustains the progress of modern corporate houses.

Several scholars have systematically evaluated the relationship between corporate reputation and advertising campaigns. Prominent among them include - Sobol et al., Balmer and Gray, Devine and Einwiller and Will. All of them have pointed out that an organisation’s reputation plays a crucial role when it comes to winning talent. What work aspirants are looking for most is a great organisation that has at its core an appealing culture and inspiring values. Corporate reputation assists in attracting good people and good partners who enable an organisation to remain competitive, whereas a poor reputation can undermine motivation within the organisation. Sullivan, Nakra and Pruzan have identified that employees and other stakeholders are equally important from the point of view of corporate reputation management.

The clients of various corporate houses also play a crucial role in the process of corporate reputation building according to Johnson and Richardson and Bolesh. The scholars have noted that corporate houses should build good reputation which attracts the attention of various clients and other stakeholders through series of effective corporate communication and advertising campaigns. They have further highlighted the need for two-way communication which builds client confidence. Miller, Richardson and Bolesh have clearly emphasized that there is no magic formula for corporate reputation which enables the corporate houses to maintain and reinforce their credibility, popularity, status and prospects. Scholars have rightly observed that corporate advertising campaigns should be guided by certain healthy parameters and practices which are tested and tried over a period of time.

The corporate houses should also understand the need and importance of corporate social responsibility which enables the organisations to be proactive in protecting their reputation in crisis times as well as to disseminate the organisational ‘story’ to internal and external stakeholders through constructive corporate communication and advertising services. These services should be delivered in a systematic way in order to foster the delicate alignment of strategy, communication and leadership that drives positive reputation in both good and bad times. Corporate advertising services should make the organisational activities highly transparent, accountable, environment friendly and profit oriented. Sobol and Winkleman aptly
conclude that modern corporate houses are required build reputation since it plays a crucial role in enhancing the salability of the products in particular and the reputation of the corporate house in general. In today’s interlinked world as described by Mastal corporate reputation is the cumulative perceptions of an organisation by its key audiences who are the pillars of organizational development.

### 1.4. Advertising Trends of the Indian Corporate Sector

The Indian corporate sector primarily depends upon advertising in order to enhance the salability of goods and services and generate adequate income in the age of competitive business. The corporate houses have invested adequate funds on corporate advertising management which is an important component of organizational management. There are about 500 leading corporate houses which are functioning in India. The corporate advertising services are delivered by the consumer goods producing corporate houses and non-consumer goods producing corporate houses. The Reserve Bank of India’s (1985:307) has classified the industries on the basis of certain parameters.

The corporate houses mainly undertake the management of corporate advertising in respect of consumer goods as compared to non-consumer goods manufactured by them. The non-consumer goods producers included the companies producing intermediate goods as well. According to the RBI classification, the consumer goods and non-consumer goods producing companies are usually classified on the basis of the extent of foreign holding in their equity capital. The companies having 10 per cent or more foreign equity are considered to be Foreign Controlled Companies according to Biswajit Dhar. These included the FCCs both registered and not registered under the Monopolies and Restrictive Trade Practices Act (MRTPA). The non-Foreign Controlled Companies include both registered and non-registered under the act.

Under the Companies Act, 1956 it is obligatory to report expenditure on advertisement as a separate item. However, if the value of advertisement expenditure was less than one per cent of the sales turnover or Rs. 5,000 whichever is less, the company need not make a separate entry in the Annual Report. A comprehensive study on the corporate advertising management in India was undertaken by Chalapati Rao (1990:297). The study revealed that about 400 corporate houses constituted the top crust of the corporate advertising management in India. The private sector has gained an upper hand over the public sector in regard to the investment made on corporate advertising activities. But, these private corporate houses did not report advertisement expenditure as
a separate item in their Annual Reports.

The number of companies, reporting advertisement expenditure as a separate entry, fell from 210 in 1976 to 193 in 1984 according to the study. The private corporate houses which have not reported their corporate advertising expenditure include DCM, WIMCO, Mafatlal, Parke Davis, Geoffrey Manners, General Electric Company of India and many others. Each one of them is a well known advertiser and yet, under one or the other technical reason these companies have not reported any advertisement expenditure. The same trend continues to exist in the present times also due to inadequate advertising regulations in India.

According to the latest statistics, the advertisement expenditure of private and public corporate houses has grown considerably over a period of time. By the end of 1990s, the sales turnover registered a growth of 154.77 percent, and the advertisement expenditure registered a growth of 196.90 percent. The sales turnover registered a growth rate of 19.35 percent per annum, while the corresponding growth rate for the advertisement expenditure was 24.60 per cent. The amount spent on consumer goods promotion is substantially higher than the amount spent on non-consumer goods promotion in India.

Empirical evidence also reveals that the corporate advertising expenditure is related to the size of the company’s turnover. The corporate houses have generally reported the advertisement expenditure which is less than 1% of their sales turnover. The ratio of the advertisement expenditure to the sales turnover has also risen from 0.64 in 1976 to 0.91 in 2010. This steady rise in the ratio is an indication of the growing importance of the advertisement culture with the Indian corporate sector as a whole. Studies have also reported that the advertisement sales ratio rose more sharply for the consumer goods producing companies than the non-consumer goods producing companies, standing at the level of nearly 1.00 percent in 1976 to 1.62 percent in 2010. The advertisement to sales ratio was higher for the FCCs than for the Indian companies and the highest for the consumer goods producing FCCs. By and large, a majority of the corporate houses have reported an yearly advertising budget of nearly half a crore of rupees till now. The corporate houses which normally spent more than Rs.1 crore on advertising include - Hindustan Lever Ltd. (Rs.2.98 crores), Rallis India Ltd. (Rs.1.29 crores), Union Carbide (India) Ltd. (Rs.1.22 crores), and Peico Electronics and Electricals Ltd. (Rs. 1.12 crores) and it is interesting to note that all four of them were FCCs. By 1980, the eleven companies spending more than Rs.1.00 crores included seven FCCs and four Indian companies. The seven FCCs were Hindustan Lever Ltd., Glaxo Laboratories (I) Ltd., I.T.C.Ltd., Peico
Electronics and Electricals Ltd., Dunlop (I) Ltd. and Richardson Hindustan Ltd. The four Indian companies who joined these FCCs were Reliance Industries Ltd., Grasim Industries Ltd., Jay Engineering Works Ltd., and Mohan Meakin Ltd., Bombay Dyeing Manufacturing Co. Ltd. The advertisement expenditure of the top advertisers seems to have jumped in a very significant manner. The Hindustan Lever Ltd, Reliance Industries Ltd and Food Specialties Ltd Companies have spent more than 10 crore on the corporate advertising activities by the end of 20th century. The non-consumer goods companies which have spent more than 1 crore annually on corporate advertising include – Kirloskar Oil Engines Ltd, Tata Engineering and Locomotive Co. Ltd, Greaves Cotton and Co. Ltd., Advani Oerlikon Ltd., National Organic Chemical Industries Ltd., Nirlon Synthetic Fibres and Chemical Ltd., and MRF Ltd., Dunlop (I) Ltd and so on.


A perusal of the recent trends and developments of corporate advertising in India reveals very interesting findings. Prominent among them include – a) Corporate advertising has grown considerably over a period of time in India because of economic
liberalization and competitive business environment, b) Corporate advertising in India is primarily a phenomenon of the consumer goods producing companies rather than non-consumer goods producing companies, c) FCCs single handedly accounted for a dominant share in the total advertisement expenditure, d) Indian Big business, as represented by the Indian MRTP companies, accounted for a sizeable share in the total advertisement budgets of the corporate sector, e) Consumer goods producing FCCs accounted for more than four fifths of the expenditure by the FCCs, and more than half the expenditure by the total reporting companies, f) Definite correlation existed between the proportion of sales turnover and advertising expenditure, h) Corporate advertisement expenditure by the Indian Corporate Sector is highly concentrated, i) Top 50 advertisers accounted for nearly 80 per cent of the total advertisement budgets, whereas the Top 10 advertisers accounted for nearly 40 per cent of the total advertisement budgets, j) Top 50 advertisers were primarily the consumer goods producers and the majority of them were FCCs and k) Hindustan Lever Ltd., the all time top advertiser accounted for nearly 10 per cent of the expenditure by the corporate sector in India.

1.5. **Significance of the Study**

Advertising in India and other nations historically been product oriented. However, with the advent of modern corporations with multiple product and/or service offerings, a different type of advertising has appeared, the primary purpose being to promote the corporation. ‘Corporate,’ ‘institutional,’ or ‘corporate image’ advertising has been defined with some very basic consistency since the 1950’s. The concept of corporate advertising has been widened to include ‘advocacy’ and ‘issue’ advertising. Over the past two decades, numerous case studies and strategy articles have been written describing the ways in which corporate advertising has facilitated positive public perceptions of global business. As we move into the first decade of the 21st century, certain factors in the physical, social, political and economic environment suggest an expanded role for corporate advertising. As business attempts to respond, corporate advertising is expected to promote images of environmentally responsible corporate citizens.

Corporate Advertising provides a powerful tool for stating and sharing the company's vision and purpose. Welles (1996:364) explains: "At the heart of every good business story there lies a truth that is simple enough for the management to communicate, and so recognizable that others can quickly connect with it. Corporate
Advertising is widely used as a means to build corporate image and enhance the economic status of organizations. But like successful products, good corporate advertisements don't end after the first interaction. They need to be told and retold, shaped and reshaped through various tools and strategies of corporate advertising.

**The Functions of Corporate Advertising**

Generally, corporate advertising can perform one or more of four functions. It can:

- Create a new company image or rejuvenate an old one
- Put for word a company's position on an issue significant to the company's welfare
- Enhance the company's status through the linking the organisation to a cause
- Strength a company financially

Welles points out that corporate advertising can be much more powerful than any marketing pitch. Characters can be very important to conveying a story and presenting an identity in corporate advertisements. Identity Stories are also incorporated in the corporate advertising. Individuals can have great identity stories: an example of this kind of corporate advertising strategy. Customer stories are also conveyed to the customers. Product stories are also conveyed in order to distinguish the products and services in the marketplace. Counter stories also provide suitable clarifications and justifications to the consumers. In-house company stories are important not only for customers but for employees.

According to Brown and Dacin (1997:50) corporate advertising communicates various messages and stories in and about organizations for the following reasons:

- To construct or maintain an organizational identity
- To construct or maintain an *occupational* identity
- To establish a shared set of values or assumptions
- To form coherent and credible accounts of actions
- To solve problems and celebrate problem solvers

Corporate Advertising is an exercise on the part of business groups to build a positive image in the eyes of the public. The advertisements may be subtle, yet effective elaborating on the history of the organization, its achievements, the mission, the future vision, objectives, their tireless work to advance social causes and other philanthropic work done by them. With most business groups becoming multinational in nature, corporate advertisements that appeal indirectly to the consumers, the public, the shareholders, suppliers, dealers and the Government become necessary.
Since 1991, India has seen a number of transnational companies enter India and therefore it is not surprising that Corporate Advertisements have been on the increase. Some of the domestic business groups are also on the verge of going global and the importance of giving business groups a personality is being increasingly felt. Moreover, with competition intensifying, all activities of business groups are being perceived as self-serving and mundane. There is a need therefore to place the activities of the corporate entities before the public in the right perspective.

Corporate Advertising may have as its objective just informing the public or reminding them of the work done to create a positive image. Many business groups do not want to be faceless entities and would like to inform and educate the public about their mission, values and what they think of the various issues and problems facing the country. It is not surprising that a company which is an individual in the eyes of the law also wishes to highlight some of the positive aspects of its personality and let know to the public at large its corporate face.

Modern companies use corporate advertising to educate the various stakeholders about their products, services and contributions. One may argue that corporate advertisements generally do a lot of empty boasting and therefore do not go down with the public. Thus, whether or not corporate advertisements are acceptable or effective depends on the creativity content in it and the quality of the ad and the message it conveys. Many corporations have integrated philanthropy into their overall corporate goals. The Tata and Birla groups have an exemplary record in this area. Their corporate support to education, construction of religious monuments, hospitals and charitable institutions are well known. The image that one has of these business groups that of responsible corporate citizens.

Corporate Advertising is nothing but an art that catches the reader's attention. There are many other corporations in India that allocate a percentage of their annual budgets to a variety of preferred social causes. The assistance apart from being monetary may also be by way of contributions of expertise, employees' time, promotional know-how and other equipment. Such activities when highlighted through corporate advertisements indirectly contribute to the company's commercial objectives, creating a win-win situation for the company. The major Indian Corporate Advertising media are newspapers, magazines, television and radio, business publications and billboards. Advertising on the Internet is the most cost-efficient way of reaching customers all over the world including ones own country.
Indian advertising agencies need to wake up to the challenges posed by global economic trends and emerging interactive technologies like the Internet. Indian companies need to pay attention to characteristics of the new economy like open standards, digitalization, and volatility, as Internet-based communication offers "tremendous new opportunities for Indian companies via media convergence and re-intermediation. This also requires Indian advertising agencies to pay attention to the importance of online market research, since new media like the Net are bound to affect people's perceptions of advertising. The challenge for Indian advertising agencies in the coming years is to be able to target the rural market as well as the sophisticated urban market that may have Internet access.

Advertisers in India reach about 75 per cent of the population through television, and almost the entire population through radio. Certain televised programs enjoy a viewership of more than 100 million. The Indian viewership exhibits brand name recognition of both foreign and domestic products and services. With value added information such as television rating points, audience profiles, and opinion polls available to marketers, the sophistication of advertising in India is at par with world standards. The world's leading advertising agencies - Ogilvy & Mather, J W Thompson, BBDO, Young & Rubican, Lintas, McCann Ericsson, Leo Burnett and a host of others - all have a major presence in the Indian market.

Advertisement expenditure by the Indian Corporate Sector are highly concentrated. Top 50 advertisers accounted for nearly 80 per cent of the total advertisement budgets, whereas the Top 10 advertisers accounted for nearly 40 per cent of the total advertisement budgets. The Top 50 advertisers were primarily the consumer goods producers and the majority of them were FCCs. Again, a majority of the FCCs constituting the Top 50 also belonged to the categories of either the ex-FERA companies or the foreign subsidiaries. Hindustan Lever Ltd., the all time top advertiser accounted for nearly 10 per cent of the expenditure by the corporate sector as a whole, according to the recent studies.

The crucial importance of Corporate Advertising becomes highly relevant in the present times since the world moves towards globalization of economy. In developing nations and transnational corporations Corporate Advertising management has become a thrust area from national development point of view. There is growing recognition in corporate houses on crucial role of corporate advertising in the development of economy in general and corporate image building in particular. It is
necessary to examine the status, problems and opportunities of corporate advertising in a developing state like Karnataka.

1.6 Statement of the Problem

Corporate Advertising has become a powerful tool in the modern organizations in India and elsewhere. It has proved its importance in every walk of life. Corporate houses are spending a sizable chunk of money on corporate advertising management. Traditional media, modern media, new media and outdoor publicity campaigns are the prominent tools of corporate advertising. In the 21\textsuperscript{st} century, corporate advertising plays a crucial role in promoting economy of organizations and nations. The study assumes profound significance in the present times. A synthesis of the available literature suggest that corporate advertising scenario of Karnataka State suffers from certain limitations. Therefore, the primary tasks of the present study are concerned with identifying reasonably representative sample of organizational policy makers, communicators, consumers and other stakeholders so as to assess their views on the current status of corporate communication advertising management in Karnataka State.

1.7 Objectives of the Study

The specific objectives of the study are as follows:

a) To study the status of corporate advertising in Karnataka State
b) To analyze the problems of corporate advertising in Karnataka State
c) To make a comparative assessment of corporate advertising management in public and private undertakings in Karnataka State,
d) To examine the problems of corporate advertising in Karnataka State; and
e) To suggest appropriate strategies of corporate advertising management in Karnataka State.

1.8 Presentation of the Study

The first chapter deals with the introduction wherein the objectives of the study are presented. It also throws light on the role of advertising in modern society, corporate advertising in the age of globalization, role of advertising in corporate reputation management, advertising trends of the Indian corporate sector, social significance of the study, statement of the problem, and the scope of the study. The second chapter presents the review of literature internationally, nationally and regionally. The third chapter, viz., research methodology deals with the study
hypothesis, study variables, study sample, research design, statistical analysis, limitations of the study and definitions of the terms used in the study. The fourth chapter presents the profiles of leading public and private undertakings which are selected for the purpose of primary data collection. The fifth chapter presents the results of the study on the status, problems and prospects of corporate advertising in the Karnataka State which are based on appropriate statistical tests. The sixth chapter summarizes the findings of the study with a brief resume and implications of the findings. The last chapter indicates the bibliography, questionnaires and other annexure.

1.9 Summary

Corporate advertising has become a prominent instrument of organizational management in general and customer relationship management in particular in India and other developing nations. Corporate advertising is primarily concerned with the establishment of mutually beneficial human relations between the organization and customers. Corporate advertising assumes great significance in the era of globalization, liberalization, privatization and corporatization. The concept of corporate advertising as a two-way persuasive communication between the organizations and customers is still used by many to define corporate advertising. Of late, corporate advertising scenario has changed remarkably in India consequent on the changes in the global business environment and corresponding transition in the policy locally. The present study evaluates the status, problems and prospects of corporate advertising in Karnataka state. In today’s competitive environment, authentic facts and figures need to be generated through systematic evaluation in order to plan and activate corporate advertising practices of public and private organizations in modern society. To raise the efficiency of the corporate advertising system of Karnataka state, its present level of management efficiency has to be assessed and suitable methods and operations should be suggested to increase the same. Against this backdrop, an attempt is made to evaluate the status, problems and prospects of corporate advertising with special reference to Karnataka State.